

Office of the
Legislative Fiscal Analyst

FY 2003 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Health
Children's Health Insurance Program (CHIP)

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1.0 Department of Health - Children's Health Insurance Program (CHIP)

Summary

The 1998 Legislature passed House Bill 137, which established the Children's Health Insurance Program (CHIP) for the State. This program provides health insurance coverage to uninsured children up to age 19 living in families whose income is less than 200 percent of the Federal Poverty Levels. The program receives approximately 80 percent of its funding from Federal Funds, but requires a state match, which, beginning in FY 2001 is funded from proceeds from the Master Settlement Agreement between the State and tobacco companies.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
Federal Funds	21,748,500		21,748,500
GFR - Tobacco Settlement	5,496,100		5,496,100
Total	<u>\$27,244,600</u>	<u>\$0</u>	<u>\$27,244,600</u>
Programs			
Children's Health Insurance Program	27,244,600		27,244,600
Total	<u>\$27,244,600</u>	<u>\$0</u>	<u>\$27,244,600</u>
FTE/Other			
Total FTE	4.00		4.00

2.0 Issues: Children's Health Insurance Program (CHIP)

2.1 Administrative Cost Intent Language

The 2001 Legislature approved the following intent language to be implemented by this division:

It is the intent of the Legislature that the budget analysis for the Department of Health be presented with a breakdown between costs of administration and services delivered and the number of citizens served and categorized by cost and type of service.

The Department reports that the CHIP budget is 3 percent administrative and 97 percent direct services. The following table shows the allocation of costs between administrative, indirect services, and direct services.

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)				
ADMINISTRATIVE and SERVICE COSTS				
FY 2001 Authorized Costs				
	<u>Admin- istration</u>	<u>Indirect Services</u>	<u>Direct Services</u>	<u>Total</u>
CHIP	611,851	0	23,014,905	23,626,756
	2.6%	0.0%	97.4%	
Total	611,851	0	23,014,905	23,626,756
	2.6%	0.0%	97.4%	

Source: Department of Health

The direct services include the medical and dental services provided to the children in the CHIP.

3.1 Children's Health Insurance Program

Recommendation

The Analyst recommends funding in the amount of \$27,244,600 for FY 2003 to continue the health insurance coverage for those children who have enrolled in CHIP since its inception. Enrollment has exceeded projections during the past few months, necessitating changes in the program. The recommendation is based on the current enrollment level and the current benefit structure.

The major funding source is Federal Funds, which will provide approximately \$21.7 million. The State's required match is expected at \$5.5 million. This \$5.5 million comes from funds received by the State in conjunction with the Master Settlement Agreement. (UCA 63-97-201 (4(a))).

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Federal Funds	20,159,054	21,719,700	21,748,500	28,800
GFR - Tobacco Settlement	5,500,000	5,495,800	5,496,100	300
Transfers	(1,416,587)	(1,416,600)		1,416,600
Lapsing Balance	(615,711)			
Total	\$23,626,756	\$25,798,900	\$27,244,600	\$1,445,700
Expenditures				
Personal Services	242,836	459,200	241,400	(217,800)
In-State Travel	3,000	3,000	3,000	
Out of State Travel	3,039	3,000	3,000	
Current Expense	346,593	475,100	1,834,000	1,358,900
DP Current Expense	16,383	6,500	3,900	(2,600)
Other Charges/Pass Thru	23,014,905	24,852,100	25,159,300	307,200
Total	\$23,626,756	\$25,798,900	\$27,244,600	\$1,445,700
FTE/Other				
Total FTE	3.50	7.18	4.00	(3.18)

Purpose

The Federal government created the State Children's Health Insurance Initiative (Title XXI) as a part of the Balanced Budget Act of 1997. The purpose of this act is to provide health insurance to children who (1) are age 18 or under, (2) live in families with incomes below 200 percent of the Federal Poverty Level, (3) are not eligible for Medicaid, and (4) are uninsured.

During the 1998 Legislative session, the Legislature passed House Bill 137 which established the Children's Health Insurance Program for Utah.

CHIP Funding

The major portion of the funding for CHIP comes from Federal Funds. The authorized level of Federal Funds is tied to the State's Medicaid rate, but at an enriched level. Because the State of Utah has a relatively high Medicaid rate, the CHIP services match rate is also fairly high (approximately 80 percent), with the State putting up the balance of 20 percent. An assessment levied on hospitals in the State was established during the 1998 Legislature to provide the necessary revenue stream for the State's match requirement. This revenue source helped to fund the CHIP in FY 1999. Beginning in FY 2000, the revenue source was switched to the Tobacco Settlement Restricted Account and capped at \$5.5 million.

The FY 2002 cost for the program is approximately \$95.23 per member per month for both health and dental coverage.

CHIP Benefit Package

The benefit package for the CHIP is based on the benefit package for public employees, but emphasizes prevention. Well-child exams and immunizations are covered at 100 percent. Some services require co-payments, which vary, depending on the family's income level.

Enrollment began the first part of August 1998. Through the end of December 2001, there were 26,427 children enrolled - about 61 percent of whom are in families with incomes between 100 and 150 percent of poverty (Plan A), with the other 39 percent from families with incomes between 150 and 200 percent (Plan B). Approximately 41 percent of the enrolled children come from rural areas and 59 percent from urban areas.

Since the inception of CHIP, 45,923 children have been enrolled for at least one year. The difference between this figure and the current enrollment of 26,427 indicates that a significant number are enrolled only temporarily – until other medical insurance coverage is obtained for the family. Approximately 1/3 of the children leaving CHIP do so after enrolling in an employer-sponsored insurance plan, 18 percent were enrolled in Medicaid, 26 percent moved or could not be located, and the remaining 18 percent re-enrolled in CHIP later.

During the latter portion of FY 2001 and early FY 2002, enrollment exceeded expectations, to the point where the funding level could not support all of the children enrolled at the then-current service levels. Enrollment was allowed to increase based on the belief that supplemental funding would be provided. Other unforeseen circumstances also contributed to the problem. In the past couple of months, CHIP administration has capped enrollment, limited some services, and instituted monthly premiums and higher copays. It is likely that this will continue until the number of children is reduced through natural attrition.

4.0 Additional Information: Children's Health Insurance Program (CHIP)

4.1 Funding History

	1999	2000	2001	2002	2003
Financing	Actual	Actual	Actual	Estimated	Analyst
Federal Funds	5,532,593	12,427,043	20,159,054	21,719,700	21,748,500
GFR - Hosp Provider Assess	2,000,000	4,154,500			
GFR - Tobacco Settlement			5,500,000	5,495,800	5,496,100
Transfers			(1,416,587)	(1,416,600)	
Lapsing Balance	(638,396)	(929,596)	(615,711)		
Total	\$6,894,197	\$15,651,947	\$23,626,756	\$25,798,900	\$27,244,600
Programs					
Children's Health Insurance Program	6,894,197	15,651,947	23,626,756	25,798,900	27,244,600
Total	\$6,894,197	\$15,651,947	\$23,626,756	\$25,798,900	\$27,244,600
Expenditures					
Personal Services	90,064	106,147	242,836	459,200	241,400
In-State Travel	681	590	3,000	3,000	3,000
Out of State Travel	2,614	2,378	3,039	3,000	3,000
Current Expense	292,105	556,704	346,593	475,100	1,834,000
DP Current Expense	750	1,341	16,383	6,500	3,900
Other Charges/Pass Thru	6,507,983	14,984,787	23,014,905	24,852,100	25,159,300
Total	\$6,894,197	\$15,651,947	\$23,626,756	\$25,798,900	\$27,244,600
FTE/Other					
Total FTE	6.50	1.00	3.50	7.18	4.00

4.3 Federal Funds

Program		FY 2001 Actual	FY 2002 Estimated	FY 2003 Analyst
Children's Health Insurance Program Title XXI CHIP	Federal	\$20,159,054	\$21,719,700	\$21,748,500
	Required State Match*	4,884,289	5,495,800	5,496,100
	Total	25,043,343	27,215,500	27,244,600
		Federal	20,159,054	21,719,700
		Required State Match	4,884,289	5,495,800
		Total	\$25,043,343	\$27,215,500
			\$27,244,600	

* The Required State Match is funded from proceeds from the Tobacco Settlement.